THE REPORT OF THE COUNCIL COMMITTEE

TO STUDY THE ANTI-POVERTY PROGRAM

FOR THE

CITY OF NEWARK, NEW JERSEY

Chairman - Councilman Frank Addonizio

Vice Chairman - Councilman Lee Bernstein

Associate Member - Councilman Irvine I. Turner

December, 1965

PREFACE

The Federal Anti-Poverty Program is a bold social experiment designed to alleviate poverty.

We share the Federal administration's convictions that poverty must be removed from the face of the nation.

We, of this Committee, support this endeavor. On the other hand, we are mindful of the dangers implicit in the program and unless these dangers are anticipated and provided for, this program can end in disaster and frustration for the thousands of Newarkers who are in need of its promises. We speak of the financial scandals that can follow from the uncontrolled uses of free and easy money. We speak of the jealousies and antagonisms that can embitter the outs for the ins; the senseless rivalries engendered by salary discrepancies. We speak of the hostilities generated by the new bureaucracy in its striving for recognition. We refer to the lack of communication and the lack of understanding when there is communication. And, most important, we talk of the striving and seeking for political power financed with federal funds which can stir up house against house and neighbor against neighbor.

Mike Todd, the entrepemeur, remarked that "Being broke was a state of fact--being poor, a state of mind."

Poverty, despite its grim reality in this sense is an abstraction. It is an idea which must be overcome with a more powerful idea. This is the idea of a self--above and beyond poverty. It begins by the restructuring of the self image through education, training and accomplishment.

It is not necessary that everyone who emerges from the poverty program emerges as an incipient millionaire. It is enough that the worker, the artist, the salesgirl or mechanic emerges self sufficient and with an appreciation of his and her worth to the community.

We find no community dialogue of this nature emanating from the U. C. C. We find instead, a concern primarily for healthy salaries and material goods, organizational procedures and political action.

It is apparent to your Committee that there is need for a new focus and direction if it is to affect Newark's poverty problems. How this conclusion was arrived at and our recommendations are the subject matter of the following report.

December, 1965

ANTI-POVERTY INVESTIGATING
COMMITTEE OF THE CITY OF NEWARK

THE REPORT OF THE COUNCIL COMMITTEE TO STUDY THE ANTI-POVERTY PROGRAM FOR THE CITY OF NEWARK, NEW JERSEY

On the fourth day of August, 1964, at the discretion of the Newark City Council, the President of the Council, Ralph A. Villani, appointed three of its members to serve as a Special Committee, for the purpose of investigating the Federal Anti-Poverty Program as it existed and as it was evolving in the City of Newark. This was done because of the special circumstances that prevailed in Newark with respect to the development of the Anti-Poverty Program and in order to ascertain the manner in which the Municipality should participate in or contribute to the Federal Anti-Poverty Program, taking into consideration the facts, economics, special circumstances and legalities involved.

To the Committee were appointed Councilman Frank Addonizio as Chairman, Councilman Lee Bernstein as Vice-Chairman and Councilman Irvine I. Turner as Associate Member. This Committee in turn selected a volunteer staff of three attorneys to assist in its investigations.

In the beginning it must be pointed out that the purpose of the investigation was not to impugn the integrity of the men and women who have organized the present private anti-poverty agencies now operating in the City of Newark, nor to interfere with the conduct of these private agencies. The Committee and the governing officials of the City of Newark sincerely appreciate the interest and devotion of these individuals.

The origin of the Anti-Poverty Program in Newark has a unique beginning. It appears that some time in 1964 a group of well-intentioned citizens united to form a non-profit corporation with aspirations to comply with the Federal Anti-Poverty Law. On August 22, 1964, this non-profit corporation was chartered by the State of New Jersey and was named the United Community Corporation (Exhibit 1). Thereafter, it became known as the U. C. C. The U. C. C. subsequently opened its membership rolls to all interested parties over the age of 15 years and invited the citizens of Newark and

environs to join and to participate. From this group of interested citizens was elected a Board of Trustees. The Board in turn selected an Executive Committee. Your Committee understand that the original By-Laws of the U. C. C. reposed a democratic control in the Board of Trustees and in the Executive Committee (Exhibit 2). However, when the board, presumably through its Executive Committee hired an Executive Director, Mr. Cyril Tyson, your Committee understands that the hiring contract provided in part that the Executive Director would retain full control over the hiring of all "executive" personnel and that the Director would have the final say on all anti-poverty programs initiated and undertaken in the Municipality. Accordingly, your Committee understands that the By-laws of the U. C. C. were amended to reflect these autocratic changes (Exhibit 3, page 8). Moreover, the employees handbook issued by the U. C. C. (Exhibit 4, page 4 and 5) confirms this centralization of power. (Also see Exhibit 5, page 3, Procedural Guide Lines for all U. C. C. Task Forces). Your Committee deems this development most unfortunate for there seems to have been a generalized understanding that the U. C. C. would act to represent the various Anti-Poverty agencies developing in the City of Newark and would act to represent, ie; qualify the various programs of other approved agencies functioning in Newark. It also seems to have been implied that the U. C. C. would exercise control over all these various programs as well as over all of these various groups, and consequently, the City of Newark would provide the necessary basic funding.

However, your Committee finds no documentation, legal or otherwise, to support these contentions. Furthermore, your Committee surmises that this understanding was arrived at in contemplation of the original By-Laws without the centralization of authority and in the enthusiasm of a new project without meticulous consideration to the many problems inherent in this relationship. (Exhibit 6)

In summary, your Committee does not approve of the autocratic changes contained in the original contract of hiring confirmed in the amended By-Laws elaborated

on in the Employees Handbook and in the Procedural Guide Lines. Your Committee believes that to vest such singular and exclusive control in a single individual acting in this capacity is detrimental to the best interests of the community. Your Committee finds that the present structure of the U. C. C. is at odds with the public utterances of Mr. Cyril Tyson who has stated publicly that he believes that the poor should be given a greater voice in Federal Anti-Poverty Programming. How this can be accomplished with the present structure of the U. C. C. is not clear to your Committee.

Your Committee has ascertained that Newark, New Jersey has the only anti-poverty program in the nation wherein the municipality, Mayor and Council, do not exercise substantial administrative and financial control over the Community Action Agencies. The continuation of such a situation is unthinkable.

It would now serve a useful purpose to examine some of the provisions of the Federal Act.

Your Committee refers you to United States Code annotated 42:34-2781 et seq. (Exhibit 7). You will note first that the act is essentially skeletal. It will no doubt be fleshed with administrative directives and muscled with federal and local legislation which is urgently needed as will be illustrated. You will find that there is no federal provision requiring a state or political subdivision to fund a private, non-profit corporation or agency. The federal act merely provides that the municipality may combine with non-governmental agencies (U.S.C.A. 42:34-2785, Exhibit 8) or in the alternative, the governmental agencies and private agencies may proceed on their own with their own funds. The Federal Act does not limit the number of agencies which may become eligible within a given area to receive federal aid. We gather that this would be an administrative determination which would seek to avoid unnecessary duplication and complexity. (U.S.C.A. 42:34-2791, Exhibit 9).

With respect to Federal contributions, the act provides that for the first

two years of operation, the Federal Government will contribute 90% of all funds needed by the approved anti-poverty agency (U.S.C.A. 42:34-2785 to 2788 (Exhibit 8). However, after the initial two year period, the program may alter radically. Whereupon, according to the Federal Law, the approved group must then contribute on a 50-50 matching basis. The Federal Administrative Director may alter this requirement and establish any other matching basis that he deems acceptable.

It is especially noteworthy that under the Federal Act, financing need not be solely by cash contributions but may also be made by way of facilities, services or material contributions.

Your Committee considers the financing aspects a special hazard for a Municipality unless intelligently handled. (Exhibit 8).

During the course of its investigations and hearings, your Committee obtained factual information of great import bearing directly on the desirability of municipal participation with the U. C. C. and other private groups. We will explain these facts before we examine the paramount legal and economic questions involved.

It has been amply demonstrated to your Committee that:

1. The U. C. C. has systematically excluded Newark residents from key positions on its staff and from other important positions (Exhibit 10 and 11A & B).

2. That the program pursued by the U. C. C. lacks essential fiscal controls which would prevent it from becoming a grab bag or a pork barrel, (exhibit 12 and the U. C. C. proposed budget which may not be available at this time.)

3. That the U. C. C. has taken many of the aspects of a political action pressure group. (Exhibit 12), and has espoused a philosophy which your Committee rejects.

In regard to Item No. 1 above, we first refer the Council to Exhibit 10. This exhibit reveals some of the names of the individuals now holding important jobs in the U. C. C., their former residences and the salaries received by them. This

exhibit is self-explanatory but you will carefully note first the particular absence of Newark residents from the list of high salaried, key positions and the lack of correlation between salaries paid, background of recipients and services to be performed. While your Committee is well aware of the fact that in many instances it may be difficult to obtain professional and highly skilled personnel from the immediate area, your Committee feels that the jobs referred to in this list do not come within the purview of this professional exception.

Your Committee understands that the purpose of the Anti-Poverty Program was to help Newark solve its own anti-poverty problems and not the anti-poverty problems of other communities. Newark does not have to import poverty, it has enough of its own.

With respect to Item No. 2 above, the Committee not only deplores the conspicuous absence of Newark residents from the key positions in the U. C. C., but equally deplores the centralization of control in a single individual. Your Committee especially deplores the generous allocations of salaries to these non-residents. It deems this to be a technique for furthering this centralized control and securing the loyalty to one man and to his particular programming rather than securing substantial loyalty to the Anti-Poverty Program as a whole. (Exhibit 11)

Your Committee refers the council to the provocative letter of Mrs. Selma Berger (Exhibit 11) addressed to Councilman Bernstein. Mrs. Berger sets forth her experiences while being interviewed for a position with the U. C. C. The letter reveals that the U. C. C. hiring procedures are predicated on a loyalty factor. A pressured loyalty either to the Mayor or to the City Council makes an applicant undesirable to the U. C. C. We deem this employment practice obnoxious to the interests of the community and violative of the spirit of the federal law which commands cooperation between government and poverty agencies.

It appears to us that the U. C. C. conceives of itself as a 2nd City Hall but without the responsibilities to the governed. It has encouraged hiring practices and salary ranges which demeans the long standing Civil Service program activated by the Municipality for the safeguard of its employees and its citizens and has caused serious morale problems among City employees.

With regard to Item No. 3 above, during the course of the first hearing, the Committee observed that the Council Chambers were packed with patrons and beneficiaries of the U. C. C. It appeared that well-defined political interests were present and that one of these representative interests argued and conceded for the record (with popular acclaim) that there were no Newark Negroes suited or qualified for any executive positions in the U. C. C. Your Committee takes special exception to these statements and feels that they were politically motivated by individuals and supported by groups who are prepared to venture to any extreme in order to maintain the control of the U. C. C. irrespective of whom they may degrade.

With respect to Item No. 3 again, during the course of the initial hearing one of our members questioned the President Heckel of the U. C. C. concerning the propriety of former Board of Trustee Members creating and taking high salaried positions on the U. C. C. Programs. Mr. Heckel observed that he saw no objections with this policy and that in his opinion the Anti-Poverty Program as new law required new approaches to the solution of poverty. While your Committee agrees that the Anti-Poverty Program is new law that will require new thinking, your Committee disagrees with Mr. Heckel's statement of policy because your Committee finds nothing new with the technique of log rolling, back scratching and feather bedding; all of which are well-known devices used by corporate promoters in the past to further their individual interests at great cost to the general public. This nesting device has been frowned upon by our courts for hundreds of years. The Committee feels that mere personal ambition alone does not answer the needs of the poor in the community and while

ambition is commendable, capability and need are also considerations for key positions.

We will now examine some of the legal complexities involved.

The New Jersey Constitution, Article 8, Section 3, Paragraph 2, provides as follows (Exhibit 14):

> "No county, city, borough, town, township or village shall hereafter give any money or property or loan its money or credit to or in aid of any individual association, or corporation or become security for or be directly or indirectly the owner of any stocks or bonds of any association or any corporation."

Article 8, Section 3, Paragraph 3 further provides: (Exhibit 14)

> "That no donation of land or appropriation of money shall be made by the city, county or municipal corporation to or for the use of any society or corporation whatever."

It would appear that the Constitution forbids the participation or contribution by the municipality in and to any non governmental association or corporation. Your Committee feels that the rationals supporting these constitutional mandates are fundamental to good and prudent government. It is unthinkable to place a municipality, its elected officials, in a position where they could be intimidated by private groups, yet, this is what will and can happen if the municipality is obliged to contribute to non-profit agencies without clarification, restrictions or guide lines. Your Committee deems this a very real problem and you will recall that your Committee previously referred to the fact that the Council Chamber was packed during the first hearing by patrons and beneficiaries of the U. C. C. and thereafter you may recall the incident with the Blazer Program. (Exhibit 15).

The Committee is mindful of the expedience of Councilman Bernstein with the Blazer Program and his testimony during the second hearing convinces us that the personal attack upon him in the October 23, 1965 edition of the Advance (Exhibit 18), a local newspaper, was no accident and was predictable. We conclude that this deliberate piece of inflammatory propaganda anticipated a vicious political attack upon Councilman

Bernstein. Although Councilman Bernstein has chosen to treat these insults and personal threats lightly, your Committee is not inclined to do so because your Committee believes that this is typical of what may be expected, where the municipality by implication is permitted to fund non-governmental agencies without guide lines or limitations.

Aside from purely constitutional issues, there are many other legal ramifications that should be considered, for example:

1. What is the nature of the municipal contractual liability with these non-governmental agencies which it may elect to fund?

   a. Is the contractual liability a self-limiting, continuing, or expanding liability?

   b. What are contractual liabilities of the municipality to the employees of the funded agencies?

   c. What are the contractual liabilities of the municipality to creditors, etc.?

2. What is the municipal tort liability to officers, employees, third parties of the funded agencies?

3. If the municipality is compelled by law to exercise the police powers in this community, can it delegate its authority to private or non-profit agencies without legislative authority where it provides the necessary funding? In short, can this power be delegated to a non-governmental agency?

4. To what extent if at all, can a municipality allow its budgetary requirements to be controlled by non-profit organizations and what safeguards are needed in terms of dollars or percentages to protect a municipality from expanding demands?

5. To what extent can a municipality constitutionally control the operations of a private agency for whom and to whom it becomes obligated?

6. Is a municipal Hatch Act limiting the political activities of the funded agencies needed?

Now, to the economic considerations. Earlier in this report, your Committee referred to the funding requirements of the Anti-Poverty Program and advised you that this constituted a potential hazard to municipal planning.

In the event it becomes necessary for the municipality after a two year period to enter into a 50-50 contribution or even a lesser financial relationship with the Federal Government, your Committee believes that this requirement will severely cripple municipal fiscal planning. Mr. Harry Reichenstein, City Clerk, supports us in this contention and his testimony is on the transcript of the second committee hearing (Exhibit 13). We refer you to that for a full development of the budgetary difficulties foreseen by Mr. Reichenstein. However, briefly summarized, his views are as follows:

Mr. Reichenstein observed that the City has many long term standing commitments including new schools and urban renewal, and only 18 million dollars in unused borrowing capacity, all or part of which could be jeopardized by irresponsible spending or commitments to non-governmental agencies, not responsible to the electorate. He maintained that the City Council, representing the taxpayers should spend taxpayer's money and not non-taxpayers as provided for in the Faulkner Act.

Your Committee considers Mr. Reichenstein's remarks prophetic in view of the recent proposed budget of the U. C. C.

Your Committee considers the U. C. C. budget grossly inflated by a luxury loving gimmick-minded bureaucracy:- a bureaucracy that disdains elementary economics with demands for closed circuit T. V.; expensive electronic and photo equipment; expensive (new) office furnishings; generous travel allowances; pension and insurance funds; maximum salaries without ceilings or standards with comparable government agencies or private enterprise; and finally a $36,000.00 slush fund earmarked miscellaneous with new automobiles to make living tolerable.

We are confident that the poor would enjoy a Cook's Tour of these facilities but we fail to see how this reverence for material things can promote their welfare.

Mr. Reichenstein observed that donations to non-governmentals could affect the tax structure.

Your Committee believes that the U. C. C.'s present request will up the tax rate.

Mr. Reichenstein concluded that while cash contributions would hazard the municipal economy, contributions of equipment, services and facilities would not tend to do so. However, he insisted that contributions in cash and kind offended the New Jersey Constitution.

Municipal authorities must not only consider all of its taxpayers and rent payers but it must consider its prior municipal commitments such as urban renewal, new schools, new health programs, new housing, etc.

While donations to private groups are seemingly forbidden by constitutional provision, your Committee feels that Anti-Poverty Programs undertaken by the Municipality may proceed not only without harassment from private groups but without substantial invasion of and jeopardization of the municipal cash position. In this regard, your Committee has received several illustrations where such programs have been funded by the municipality with contributions of facilities and services in lieu of cash. Therefore, your Committee, after considering the testimony of Mr. Arnold Kaufman, Director of the Neighborhood Youth Corps. and the Vista Program, as well as the testimony of Dr. Mildred Groder, Director of the Head Start School Program and Mrs. Grace Malone, Director of the Welfare, Title V. Program, at its second hearing, (Exhibit 13) is convinced that this municipality is not only capable of undertaking its own anti-poverty programs but that Newark has the leadership and the personnel to begin such programs immediately with local talent and successfully conclude them. For a more detailed statement of the success of the various municipal programs referred to above, your Committee refers you to the minutes of our second hearing (Exhibit 13).

It is a sad commentary on the U. C. C. staff to report that entire City of Newark has been declared by them to be a poverty area. This designation includes such economically substantial sections of the City as Vailsburg, Weequahic and Forest Hill.

were it not so insulting, it would be laughable. But it does point up the fact that out-of-towners who run the program have no knowledge of the City even one year after their arrival here.

Conclusion: Because of the facts, the law, the economies, and general policy considerations referred to in this report, it is your Committee's opinion that your municipality should immediately undertake its own Anti-Poverty Programs and it is your Committee's opinion that it should not combine with or participate in or contribute to any private groups or non-profit agencies for the reasons stated. It is your Committee's opinion that this policy conforms not only with the New Jersey Constitution but it would be in the best interests of the municipality and all of its citizens. Your Committee suggests, however, that those groups that are able to be incorporated into any municipal program should be incorporated immediately and those imaginative people who have helped sponsor these programs should be given an ample opportunity to prove their abilities under municipal auspices. Your Committee believes that the many legal problems that are inherent in the affiliation or association with a non-profit association must first be clarified by the legislature with adequate guide lines before the municipality can surrender its budget making or its police powers to non-governmental agencies which are not amenable to the democratic process.

We, therefore, recommend the following ordinance which is attached as Exhibit 17 be introduced immediately.

Respectfully submitted,

Frank Addonizio

FRANK ADDONIZIO, Chairman
On behalf of the entire Committee
and its legal staff